VZCZCXRO4511 PP RUEHFK RUEHKSO RUEHNAG RUEHNH DE RUEHKO #0061/01 0110813 ZNR UUUUU ZZH P 110813Z JAN 10 FM AMEMBASSY TOKYO TO RUEHC/SECSTATE WASHDC PRIORITY 8636 INFO RUEKJCS/SECDEF WASHDC PRIORITY RHEHAAA/WHITE HOUSE WASHINGTON DC PRIORITY RUEAWJA/USDOJ WASHDC PRIORITY RULSDMK/USDOT WASHDC PRIORITY RUCPDOC/USDOC WASHDC PRIORITY RUEAIIA/CIA WASHDC PRIORITY RUEKJCS/JOINT STAFF WASHDC//J5// RHHMUNA/HQ USPACOM HONOLULU HI RHHMHBA/COMPACFLT PEARL HARBOR HI RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA// RHMFIUU/USFJ //J5/JO21// RUYNAAC/COMNAVFORJAPAN YOKOSUKA JA RUAYJAA/CTF 72 RUEHNH/AMCONSUL NAHA 0593 RUEHFK/AMCONSUL FUKUOKA 8252 RUEHOK/AMCONSUL OSAKA KOBE 2065 RUEHNAG/AMCONSUL NAGOYA 5351 RUEHKSO/AMCONSUL SAPPORO 8748 RUEHBJ/AMEMBASSY BEIJING 2583 RUEHUL/AMEMBASSY SEOUL 9248 RUCNDT/USMISSION USUN NEW YORK 8670

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E.O. 12958: N/A

TAGS: OIIP KMDR KPAO PGOV PINR ECON ELAB JA

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/11/10

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ARTICLES:

(1) Government sources reveal China mulling replacing Japan's refueling operations in Indian Ocean

SANKEI (Top play) (Full) January 11, 2010

It was learned from several government sources on Jan. 10 that the Chinese navy is considering taking over the refueling operations of the Maritime Self-Defense Force (MSDF) in light of its withdrawal from the refueling mission in the Indian Ocean by Jan. 15. Japan, which relies on the Middle East for 90 percent of its crude oil imports, will not only lose its presence in the sea lane in that area, but the very foundation of its energy policy will also be under China's control. There is a growing sense of alarm in the government.

According to government sources, although the PRC government stresses that "the deployment of troops to the multinational forces in Afghanistan is out of the question," several intelligence sources have confirmed that it is considering participation in and cooperation with the International Security Assistance Force (ISAF) responsible for security maintenance in Afghanistan behind the scenes. While some Chinese officials are cautious about such a move, there is also a persistent opinion that the withdrawal of the MSDF refueling mission is a good opportunity for participation in the "war against terrorism."

In light of the piracy problem in waters off Somalia, China has dispatched two destroyers and one supply vessel to the Gulf of Aden and adjacent waters to participate in operations to crack down on pirates and protect commercial vessels. According to a defense official, "the Chinese supply vessel has become quite proficient" and it is possible that the scope of operations of this vessel may be expanded to take over refueling operations in the Indian Ocean.

However, since maritime interdiction under Operation Enduring

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Freedom (OEF) is undertaken by the Combined Task Force 150 (CTF-150) led by the U.S. forces, there is also the opinion that it is unlikely for China to place its forces under U.S. military command. In addition, the technical standards of China's supply vessel are different from those of the other participating nations, creating technical problems.

However, China's participation in the OEF will enable it to share information on the Afghan and Middle East situation with the other participating nations. Its taking part in sea lane defense in the Indian Ocean will also bring invaluable benefits.

Prime Minister Yukio Hatoyama has decided to withdraw the MSDF in anticipation of the expiration of the special antiterrorism measures law authorizing its mission on Jan. 15.

With the withdrawal, Japan will not only be relying on other countries for the safety of its own ships, but will also be extremely restricted in its access to information relating to terrorism and other matters. In light of the discord in the Japan-U.S. relationship over the relocation of the U.S. forces' Futenma Air Station, a source on defense issues points out that "it is possible that China may announce its participation in OEF in order to highlight U.S.-China rapprochement."

(2) Governance: The two faces of Ozawa

MAINICHI (Page 1) (Excerpts) January 10, 2010

Ozawa has a drastic perception of bureaucratic rule: "All companies and organizations are under the control of the central government agencies. For the Japanese, the government means the authorities or the bureaucracy. Even lawmakers from the ruling parties are not aware that it is their cabinet." Based on this perception, Ozawa has been insisting on the need to send teams of politicians into government agencies, modeled after Britain, or calling for banning bureaucrats from making Diet replies. These initiatives, which are now about to be materialized under the Hatoyama administration, have already been presented in his book "Blueprint for a New Japan," published in 1993.

Takashi Hara, a politician who served as prime minister in the middle of the Taisho Period and whom Ozawa respects, aimed at

political leadership. He opened up bureaucratic posts, such as vice ministerial posts, which Aritomo Yamagata allowed bureaucrats to dominate, to lawmakers in order to let politicians to take part in the governing body. At the same time, Hara lured high-ranking bureaucrats, such as Takejiro Tokonami, into Seiyu-Kai in an effort to heighten political parties' governance capabilities.

What makes Ozawa different from Hara is his expectations for politicians other than himself. He in November 2007 gave a glimpse of this nature in the so-called grand coalition talks, which rocked political circles.

Ozawa told his cabinet formation plan to Prime Minister Yasuo Fukuda at the time: "I will become deputy prime minister. I do not mind serving as a minister without portfolio." He then continued: "I would like to see a coalition fixed first. If that is fixed, policies can be set at our own discretion. Since we cannot rely on politicians, both sides should appoint a couple of persons other

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than lawmakers to attend talks."

He proposed leaving his aides to work out policy talks, without trusting lawmakers of the Liberal Democratic Party (LDP).

But the initiative never materialized, and it turned out that there was more to it after all. Fukuda was asked by several routes to appoint former Vice Finance Minister Jiro Saito (now Japan Post president) as governor of the Bank of Japan from December 2007 through January 2008. Ozawa's intention to reinstate Saito was behind such requests.

Saito, who tried to introduce a national welfare tax during the Hosokawa administration, is Ozawa's close friend. For this reason, Saito lost favor with the LDP, which later regained power. Ozawa used abusive language toward the Imperial Household Agency director general over the setting of a meeting with the Emperor (for Vice President Xi Jinping) as an exception, saying, "He is a prime example of bureaucracy." However, Ozawa's anti-bureaucratic sentiment was absent when he gave thoughtful consideration to Saito.

He has one face as a reformist who advocates political supremacy and wresting power from central bureaucrats in the policymaking process, and another face, which he shows secretly. This dual nature of such an influential person is bound to affect the new relationship between politicians and bureaucrats.

(3) Chief Cabinet Secretary Hirano visits Okinawa without any concrete plans

ASAHI (Page 2) (Excerpts) January 10, 2010

Shinji Muramatsu, Tsukasa Kimura, and Atsushi Matsukawa

Chief Cabinet Secretary Hirofumi Hirano, who serves as a coordinator for the three coalition parties, visited Okinawa for the first time since assuming his post in an effort to find a breakthrough in the deadlocked issue of relocating the U.S. Marine Corps' Futenma Air Station in Ginowan in the prefecture. On Jan. 9, he held talks with Gov. Hirokazu Nakaima and inspected some U.S. bases in the prefecture. Hirano has just become involved in this issue. With the deadline approaching this May, will the government be able to come up with a new relocation site that is acceptable to both the local residents and the United States? Local leaders take sober views of the government's effort to find a new site.

"We may have to ask for your decision," Hirano said to Gov. Nakaima toward the end of their meeting on Jan. 9. Hirano's comment can be taken to mean that if the government picks a new relocation site within Okinawa, Tokyo will have to ask for the consent of the governor.

The Hatoyama cabinet, which has given up on settling the issue in 2009, has launched a new government panel on Okinawa bases composed

of the three coalition parties of Democratic Party of Japan (DPJ), the Social Democratic Party, and the People's New Party. The three parties are scheduled to present their respective relocation plans later this month to make a final decision by May. Prime Minister Yukio Hatoyama hopes to finish coordinating views with the U.S. side in May.

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Nevertheless, unlike past chief cabinet secretaries who served as coordinators between the government and Okinawa, Hirano has hardly been involved in the Futenma issue at all. Although he is tasked with playing the role of main coordinator, it is unclear how deeply involved Hirano can become in handling this matter.

Since it is his first visit to Okinawa, Hirano's itinerary is packed with people to see and places to go. On Jan. 9, he visited, among other places, Camp Schwab, the site picked by Tokyo and Washington to replace Futenma Air Station, in addition to meeting with Nakaima. He also held talks with the heads of Kadena Town, Okinawa City, and Chatan Town that host Kadena Air Base.

On Jan. 10, he is scheduled to view Okinawa's main island from a helicopter and some remote islands from the Self-Defense Force's U-4 multipurpose assistance plane. Included in those islands are Ie Island (in the village of Ie) and Shimoji Island (in the city of Miyako) that have been mentioned as possible relocation sites for the training of Futenma-based helicopters.

Nevertheless, some cabinet ministers, such as Foreign Minister Katsuya Okada, Defense Minister Toshimi Kitazawa, and Prime Minister Hatoyama are also making their own moves.

Okada is scheduled to hold talks with U.S. Secretary of State Hillary Clinton in Honolulu on Jan. 12. Their discussion will center on finding a breakthrough in Japan-U.S. relations which have become tense due to the Futenma issue. Kitazawa has begun making moves toward selecting a relocation site by launching a special team in his ministry.

Hatoyama has had frequent contact with Yukio Okamoto, a former Foreign Ministry official and a foreign affairs commentator with strong connections with the United States.

In a national vision research council meeting, held by the Prime Minister on Jan. 5, Ukeru Magosaki, a former director-general of the Foreign Ministry International Information Bureau, proposed moving Futenma either to Maritime Self-Defense Force Omura Air Base (in the city of Omura, Nagasaki Prefecture) or to Ground Self-Defense Force Camp Ainoura (in the city of Sasebo, Nagasaki Prefecture).

There is a possibility that the actual work to determine a relocation site might proceed separately from the three-party coalition framework. It appears that Hirano's Okinawa tour was intended to demonstrate that the government attaches importance to local wishes.

In their talks with Hirano, the chiefs of three municipalities hosting Kadena Air Base urged the chief cabinet secretary to come up with a direction after discussing the options at a nationwide level rather than focusing on those in Okinawa. Despite that, Hirano told the press corps on Jan. 9: "I would like to abstain from making any comment so as not to cause any impact on the government panel."

Ie and Shimoji islands stepping up opposition to relocation

There is a growing backlash in Ie and Shimoji islands. "We have not received any notification from the central government," Ie Mayor Katsumasa Oshiro said angrily. "We found out about everything through the newspapers. It is truly regrettable."

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The Ie Village assembly and Miyako City assembly are scheduled to

hold special meetings soon to adopt their respective position papers opposing the relocation.

"Before the matter moves forward, we must declare our determination not to accept the relocation," Miyako City Assembly Speaker Akira Shimoji said. "The DPJ, which has won control of the government on a platform of moving Futenma outside Okinawa or even Japan must deliver on its pledge."

Gov. Nakaima is also becoming increasingly frustrated with the government's inconsistent stance. Nakaima's term of office will expire in December this year. He won the post in the previous 2006 gubernatorial election on a pledge to effectively close down the Futenma airfield within three years. Nakaima's reelection depends on a certain level of expectation that the Futenma issue will be resolved, but there have been no prospects for resolution since the change of government.

(4) Chief cabinet secretary visits Okinawa, based on Hatoyama's desire to settle Futenma issue under Kantei's lead

MAINICHI (Page 2) (Full) January 10, 2010

Chief Cabinet Secretary Hirofumi Hirano visited Okinawa on Jan. 8, based on Prime Minister Yukio Hatoyama's desire to resolve the issue of relocating the U.S. Marine Corps' Futenma Air Station in Ginowan City, Okinawa Prefecture, under the lead of the Prime Minister's Office (Kantei). It was the first time in 10 years for a chief cabinet secretary to visit Okinawa. Foreign Minister Katsuya Okada and Defense Minister Toshimi Kitazawa, who were in charge of negotiations on the Futenma issue up until late last year, have now stepped back. Okinawa Governor Hirokazu Nakaima asked Hirano to move the Futenma base out of the prefecture, but the U.S. side still regards the current plan to relocate the Futenma airfield to the coastal area of Camp Schwab in Henoko, Nago City, as the best option. The prime minister has said that the government will reach a conclusion by May, but the conclusion that will emerge remains unknown.

In the early afternoon of Jan. 9, Hirano walked along a residential street adjacent to the Futenma airfield and asked local residents if the noise was deafening and if they have taken soundproofing measures. He then went up onto the roof of an elementary school contiguous to the airfield. It is unprecedented for a cabinet minister to get his first look at a situation by walking along a residential street. Ginowan Mayor Yoichi Iha told reporters: "I think it was the first time for a chief cabinet secretary to visit even an elementary school. I am grateful to him for having climbed to the roof of the school."

Hirano told Hatoyama when they held talks while dining at a Tokyo hotel on the night of Jan. 4: "Leave the Futenma issue in my hands. You should remain steadfast. I will take responsibility." In December, Hirano assumed the chairmanship of a committee tasked with finding a settlement of the relocation issue. In conversations with close aides he has expressed his resolve (to settle the Futenma issue): "My U.S. counterpart is James Jones, assistant to the President." Hatoyama also commented on Jan. 8: "He is acting with a strong determination."

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In addition, some changes are also seen in the lineup of outside advisers to the prime minister over the Futenma issue. In seeking advice, the prime minister greatly relied on Japan Research Institute Chairman Jitsuro Terashima, who has advocated a security arrangement without the permanent presence of U.S. forces. Recently, however, Hatoyama has often exchanged views with Yukio Okamoto, a former special adviser to the prime minister, and former deputy foreign minister Hiroshi Tanaka, both of whom have a good knowledge about the process that led to the Japan-U.S. agreement reached around 1997 to relocate the Futenma facility within the prefecture. A government source said: "The increase in Hatoyama's meetings with Okamoto and Tanaka indicates his willingness to examine the Futenma issue from multiple angles and make a final decision by himself."

Meanwhile, Okada intends to entrust the Futenma issue to the Kantei and to tackle Japan-U.S. relations as a whole. In a press conference on Jan. 8, he emphasized: "On the Futenma issue, various views have been presented, and the issue has unavoidably affected the bilateral relationship. But the two countries have shared the view that their alliance must be deepened." He then indicated he would devote himself to consolidating the environment surrounding Japan and the U.S.

Kitazawa was initially taking the stance of approving the existing relocation plan, but he established in the Defense Ministry a special team that includes those who were not involved in the process of drawing up the existing plan, out of consideration for the prime minister. Parliamentary Defense Secretary Akihisa Nagashima also said in a symposium in Tokyo on Jan. 9: "Regardless of the outcome of the upcoming Nago mayoral election, this issue is very difficult." He thus indicated that even if the incumbent, who has approved the existing relocation plan, is re-elected in the mayoral election on Jan. 24, it might be difficult to implement the existing plan.

Local governments begin to call for moving airfield out of Okinawa

Okinawa Governor Nakaima asked Hirano at the outset of their meeting to move the Futenma facility outside the prefecture. The governor said: "The people in Okinawa are strongly hoping to see the Futenma facility moved outside the prefecture. We expect the government will come up with a reply, keeping their desire also in mind." This expression was stronger than his remark last November. At that time, he had said: "Expectations are growing in the prefecture for the Futenma base to be relocated out of the prefecture."

The governor has changed his stance in response to the Liberal Democratic Party Okinawa Prefectural Federation's policy switch from approving the plan to relocate the base within the prefecture to calling for moving the facility outside the prefecture. In addition, his supporters' group has also begun to urge the governor to call on the central government to move the Futenma base out of the prefecture. A senior prefectural federation member emphasized: "There is no need for the prefectural government to refer to the existing plan to relocate the facility to the Henoko district. What the prefectural government should do is to only call for moving the facility out of the prefecture as the best option."

Meanwhile, the three heads of the municipal governments hosting the U.S. Kadena Air Station met Hirano at the Chatan Town Hall on Jan. 19. They renewed their opposition to the proposed integration of

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Futenma helicopter functions with Kadena Air Base and called for moving it out of the prefecture. Kadena Town Mayor Tokujitsu Miyagi said: "More than 70 PERCENT of all prefectural citizens are hoping to see the Futenma base moved out of the prefecture. We would like you to take advantage of this opportunity as chief cabinet secretary to start a national debate on security rather than having Okinawa shoulder the burden of Japan's defense."

(5) Editorial on Chief Cabinet Secretary Hirano's visit to Okinawa: Futenma should be returned without being relocated within prefecture

RYUKYU SHIMPO (Page 2) (Full) January 10, 2010

Chief Cabinet Secretary Hirofumi Hirano visited Futenma Air Station, Kadena Air Base, Camp Schwab, and other U.S. military facilities in Okinawa on Jan. 9 to familiarize himself with the actual situation. Anyone with common sense would find it odd that three-fourths of all facilities for the exclusive use of U.S. Forces Japan (USFJ) are concentrated in Okinawa, which only makes up 0.6 percent of Japan's total land area.

Governor Hirokazu Nakaima also conveyed to Mr. Hirano the Okinawan people's hope for Futenma's relocation out of the prefecture. We would like the government to make serious efforts to conduct a

drastic review of the Japan-U.S. agreement on USFJ realignment after Mr. Hirano's visit to Okinawa.

Mr. Hirano chairs the government and the ruling parties' panel for examining the base issues in Okinawa, which is looking into new relocation sites for the Futenma base. He can certainly be considered to be one of the politicians that hold the fate of Okinawa.

Prime Minister Yukio Hatoyama indicated at a debate of the leaders of six major political parties last August that "(the Futenma base) should at least be relocated out of Okinawa."

Since Mr. Hirano is the Prime Minister's top aide, his job is to come up with a conclusion that will not result in the Okinawan people accusing the Prime Minister of being a "liar."

If the return of Futenma is achieved without the base being relocated to elsewhere in Okinawa, the name of Yukio Hatoyama will go down in the history of Okinawa as a statesman who worked to achieve a solution to the base issues. On the other hand, if he continues to impose the base-hosting burden on Okinawa, he will be known to future generations as the "prime minister who deceived the Okinawan people."

Mr. Hirano will reportedly inspect the islands of Shimoji and Ie from the air on Jan. 10. If he is considering these islands as possible relocation sites, he is looking in the wrong direction.

The Ryukyu government invited the Shimojishima airport in Miyakojima City to be set up as a training facility for jet pilots in 1969, before Okinawa's reversion to Japanese administration. There were concerns about the military's use of the airport, e.g., by the Self-Defense Forces, when the airfield was being constructed and there were even some violent incidents in connection with it.

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For this reason, the Ryukyu government and the Japanese government confirmed that the airfield would only be used by civilian aircraft in an official document in August 1971. This memorandum is still valid. The Miyakojima city assembly is making arrangements to pass a statement opposing the relocation of the Futenma base to Shimoji island.

Ie island was designated by the SACO (Special Action Committee on Okinawa) agreement as a site for parachuting exercises. It has experienced many problems related to landing errors, for instance. The Ie village assembly is also expected to pass a resolution opposing the relocation.

Mr. Hirano said, "We may need a decision from the governor," but the government should really make the decision. Is it acceptable to destroy the beautiful sea and living environment in Henoko? We hope he will look at this issue with clear vision.

(6) Kyosera Chairman Inamori asked to become new CEO of JAL

ASAHI (Page 1) (Excerpt) January 11, 2010

The government and the Enterprise Turnaround Initiative Corporation of Japan have asked Kazuo Inamori, honorary chairman of Kyocera Corp., to assume the post of chief executive officer (CEO) of the cash-strapped Japan Airlines. According to informed sources, he has not responded to the offer yet.

(7) JAL to be reconstructed under Corporate Rehabilitation Law: Corporate turnaround body to expand restructuring plan

NIKKEI (Top play) (Lead para.) January 9, 2010

Japan Airlines (JAL) is now set to reconstruct its management, using the Corporate Rehabilitation Law. Enterprise Turnaround Initiative Corporation of Japan (ETIC), a public organization, which is set to extend finance assistance to the carrier, has decided to expand the restructuring plan. The aim is to reconstruct the carrier by taking prompt measures. ETIC has already asked for debt forgiveness from concerned financial institutions. It will boost that amount to 350 billion yen. It will also increase the number of domestic and overseas routes for termination and personnel cuts. Concerning the responsibility of stockholders, there are two proposals – delisting the carrier from the Tokyo Stock Exchange through a 100 percent capital reduction or keeping the carrier listed by leaving set portions of stockholders' shares intact. The government will continue to coordinate views.

Points of JAL reconstruction plan

- Q ETIC will decide to assist JAL right after the carrier files a petition around the 19th for protection with the court under the Corporate Rehabilitation Law.
- Q Total protection of loan claims on JAL concerning general commercial transactions, such as the costs of fuel and equipment. Q Ask for debt waiver worth 350 billion yen from concerned financial institutions
- Q Cuts in portions of corporate bonds and pension liability Q Clarify shareholders' responsibility through a capital decrease. There are arguments for and against keeping the carrier listed.

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- ${\tt Q}$ Further restructuring through cuts in domestic and foreign flight routes. Aim at reconstruction within three years under ETIC.
- (8) Turnaround body not to allow JAL to accept financial assistance by U.S. carriers' capital help

NIKKEI (Top play) (Lead para.) January 10, 2010

Japan Airlines, which is now set to reconstruct its management under the Corporate Rehabilitation Law, and Enterprise Turnaround Initiative Corporation of Japan (ETIC), which is to assist the carrier's business management, have decided not to accept capital help either from Delta Air Lines or from American Airlines, with which it is currently pursuing talks on a business tie-up. A tie-up will be limited to the business front in order for JAL to aim at prompt reconstruction under strong control of ETIC and the government. ETIC intends to carefully determine the possible effects of a business tie-up. As such, the likelihood is that a decision on JAL's business partner will not be made until February or later.

(9) Maehara announces expansion of timeframe for foreign carriers at New Chitose Airport

ASAHI (Page 7) (Full) January 9, 2010

Minister of Land, Infrastructure, and Tourism Seiji Maehara announced on Jan. 8 that the timeframe for flights by foreign airlines to and from New Chitose Airport in Hokkaido, until now restricted for national security reasons, will be expanded from March 28. The expansion resulted from coordination between the ministries of defense and of land, infrastructure and tourism for the purpose of drawing tourists from China and elsewhere to Hokkaido, a popular destination. Daytime flights have been restricted to 11:20 in the morning until 1:50 in the afternoon on Wednesday. Henceforth the timeframe will be expanded to 12:00 noon until 4:00 in the afternoon on Tuesday and Wednesday.

(10) TOP HEADLINES

Asahi:

JAL's stock to be delisted, according to Enterprise Turnaround Initiative Corporation of Japan's plan

Mainichi:

80 percent of nurseries for sick children to go into the red

Yomiuri:

Children of married couples using dual surnames to have same

surnames under amended civil code

Nikkei:

Local autonomy law to be amended drastically

Sankei:

Refueling operation in Indian Ocean to end on Jan. 15: China considering taking over

Tokyo Shimbun:

Tokyo and three neighboring prefectures to set rules on transportation of patients at perinatal stage

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Akahata:

Chairman Shii in NHK party head interview calls for switch from politics centered on business world and stance of blindly following U.S.

(11) EDITORIALS

Asahi:

- (1) Year of reading: Fully utilize neighborhood libraries
- (2) Abuse of elderly people: Do not overlook people who are exhausted from care-giving

Mainichi:

- (1) School teachers suffering from psychological problems: Hurry to reduce their burden of school affairs
- (2) Concerned nations should not allow acts of obstruction to research whaling

Yomiuri:

- (1) USFJ expenses: Not sympathy budget, but necessary expenses
- (2) Coming-of-Age day: Make concrete plans for future

Nikkei:

(1) Responsibility for future: Inspire young people's enthusiasm and energy

Sankei:

- (1) Local suffrage for permanent foreign residents: LDP should clarify its opposition
- (2) Coming-of-Age day: What we expect from new adults

Tokyo Shimbun:

(1) Thoughts on Coming-of-Age day: Be active, new adults

Akahata:

- (1) To new adults who will open up doors to new age
- (12) Prime Minister's schedule, January 10

NIKKEI (Page 2) (Full) January 11, 2010

Spent the morning at the official residential quarters.

14:22

Visited Hie Shrine in Nagata-cho with his wife.

15:12

Arrived at the official residential quarters.

18:57

Met Deputy Prime Minister and Finance Minister Kan.

ROOS